



FEB 12 2016

Lisa Hettinger
Division Administrator for Medicaid
Idaho Department of Health and Welfare
450 West State Street
PTC Building, 10th Floor
Boise, ID 83705

Re: Designation of Minimum Essential Coverage

Dear Ms. Hettinger:

The purpose of this letter is to inform the state whether certain types of Medicaid and CHIP coverage provided in Idaho is recognized by the Centers for Medicare & Medicaid Services (CMS) as minimum essential coverage (MEC) under section 5000A(f)(1)(E) of the Internal Revenue Code of 1986 (the Code).

On November 7, 2014, we explained in State Health Official Letter (SHO) #14-002 that certain types of coverage are not recognized as government-sponsored MEC under section 5000A(f)(1)(A) of the Code, including certain coverage for low-income pregnant women under the Medicaid state plan, coverage for medically needy individuals under the Medicaid state plan, and coverage under a demonstration program authorized under section 1115 of the Social Security Act (the Act). These types of coverage are not included as MEC under Internal Revenue Service (IRS) regulations implementing section 5000A(f)(1)(A)(ii) of the Code.¹ However, in many states, this coverage is comparable to the coverage generally afforded to categorically needy Medicaid beneficiaries. Therefore, pursuant to the authority under section 5000A(f)(1)(E) of the Code, CMS, in consultation with the Secretary of the Treasury, would recognize as MEC, coverage which is not recognized as MEC under the IRS regulations.

Following issuance of SHO #14-002, CMS reviewed the coverage provided to low-income pregnant women under Idaho's Medicaid state plan. We requested additional information from the state to elaborate on any limitations in coverage reflected in the state plan in order to compare the coverage provided against the standard established in the SHO. In the event that the state elects to alter the benefits provided to pregnant women, which could affect the MEC designation discussed below, CMS will evaluate the new coverage to assess whether the designation in this letter is still appropriate.

¹ At the time of the SHO, the IRS had not finalized its proposed rule to carve out medically needy or section 1115 coverage as minimum essential coverage. The final rule, implementing 26 CFR 1.5000A-2(b), was published on November 26, 2014.

Coverage for Pregnancy-Related Services

Idaho provides full Medicaid benefits for pregnant women whose income is at or below \$365 per month. This coverage is recognized as MEC under the IRS regulations. Information provided by the state establishes that the pregnancy-related services provided to Medicaid-eligible pregnant women with income between \$365 per month and 133 percent of the federal poverty level does not consist of the same benefits and services provided to pregnant women with income at or below \$365 per month. Accordingly, CMS has concluded that the Medicaid coverage provided to pregnant women with income above \$365 per month is not equivalent to the state plan benefits provided to other pregnant women and therefore not designated as MEC.

Implications of MEC Designation

Under section 5000A of the Code, “nonexempt individuals” must be enrolled in MEC for each month beginning after December 31, 2013, or make a payment (shared responsibility payment) with their federal income tax return. Individuals enrolled in coverage designated as MEC will not be liable for the shared responsibility payment. In addition, individuals eligible for coverage that is MEC are not eligible for advanced premium tax credits (APTC) and cost-sharing reductions (CSR).

Individuals eligible for Medicaid coverage that is not considered MEC may be eligible for APTC and CSRs for enrollment in a qualified health plan (QHP) through the Marketplace. These individuals may simultaneously elect to enroll in Medicaid and a QHP, or they may elect to enroll in Medicaid with the limited benefit. However, unless they are eligible for a hardship or other exemption from the requirement to maintain MEC, individuals who elect Medicaid coverage that is not recognized as MEC may be subject to the shared responsibility payment.

Pregnant women enrolled in non-MEC Medicaid are eligible for a hardship exemption. On November 21, 2014, the Center for Consumer Information and Information Oversight issued guidance explaining that pregnant women who are not enrolled in MEC will need to apply for this hardship exemption through the Marketplace. More information on the hardship exemptions available to Medicaid beneficiaries can be found at <https://www.cms.gov/ccio/resources/Regulations-and-Guidance/index.html>.

States are required to comply with IRS reporting requirements with respect to individuals who are covered by minimum essential coverage and therefore are not liable for the individual shared responsibility payment. Copies of the 1095-B forms must be furnished to the person identified as the “responsible individual” on the form. For more information on the IRS reporting requirements, please visit <http://www.irs.gov/instructions/i109495b/ar01.html>. We also strongly encourage Idaho to provide individuals enrolled in non-MEC Medicaid coverage with a notice of their coverage status as well as the availability of an exemption from the shared responsibility payment in the case of pregnant women enrolled in Medicaid coverage that is not recognized as MEC and how to obtain the exemption.

If you have questions regarding these designations, please contact Ms. Anne Marie Costello, Acting Director, Children and Adults Health Programs Group, Center for Medicaid & CHIP Services, at (410) 786-5647.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vikki Wachino', with a stylized flourish at the end.

Vikki Wachino
Director

cc:

David Meacham, ARA, CMS Regional Office Seattle